Applicant : Dean Furbush et al.
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REMARKS

35 U.S.C. 112:

The examiner rejected Claims 1-11 under 35 U.S.C. 112, second paragraph, as being incomplete for omitting essential structural cooperative relationships of elements, such omission amounting to a gap between the necessary structural connections.

Applicant has amended claim 1 to direct the claim to a server system and thus has deleted "a client computer station." Claim 1 has also been amended to remove references to "steps."

Claim 1, as previously presented and as now amended, does not combine two different statutory classes of invention in a single claim.

The preamble of claim 1 now recites "A networked system for trading of securities," and includes a storage system storing profiles and a server computer system.[1] The claim has also been amended to clarify the other features/concerns pointed out by the examiner.

The examiner also states: "Claims 1-21 are also rejected under 35 U.S.C. 112, second paragraph, as being incomplete for omitting essential elements, ... These claims recite "entering receiving directed order" and "delivering the order, as a liability or non-liability order". The omitted elements are the elements relating a directed order to a liability or non-liability order." Claim 1 has also been amended to overcome this rejection.[2]

Similar amendments have been made to the corresponding claims.

35 U.S.C. 103

The examiner rejected claims 1-21 under 35 U.S.C. 103(a) as being unpatentable over NASD Rulemaking Reference (Reference AV in IDS of October 19, 2007).

The examiner stated:

> Claims 1, 12 and 17, discloses a method for trading of securities comprising receiving by a computer system a directed order to begin a negotiation process with a particular quoting market participant (See Reference AV Pages 10- 11); and delivering by the computer system the order, as liability or non-liability order in accordance with how the quoting market participant chooses to receive directed orders (See Reference AV Pages 12-43). As disclosed on page 33 of the reference the quoting market participant can use the exception to Firm Quote rule and

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[1] Specification Fig. 1, page 4, lines 1-18; page 16, lines 19-26;
[2] Id. page 16, lines 5-15.

supplemental size feature to choose how the participant wants to receive the order. The limitation "to begin a negotiation process with a particular quoting market participant" is interpreted as an intended use limitation. A system for trading of securities with a client computer station for entering a directed order and a server computer system for receiving the directed order, the-server system delivering the order and a computer program product for trading of securities by performing the steps of the claimed method are implied by the disclosure. In the alternative, system for trading of securities with a client computer station for entering an order and a server computer system for receiving and delivering the order and a computer program product for trading of securities by performing the steps of the claimed method are old and well known in the electronic trading of securities.

At the outset, the reference that the examiner uses AV is:

| | AV | "Self Regulatory Organizations: Notice of Filing of Proposed Rule Change by the National Association of Securities Dealers, Inc.," Federal Register--Securities and Exchange Commission, vol. 64, No. 77, Apr. 22, 1999, pp. 19844-19849, XP002171896 (198.17.75.65/fril/). |

It does not comport with the text of the examiner's rejection. Rather, Applicant contends that the examiner is in fact referring to

| | AW | NASD Rulemaking: Relating to an Integrated Order Delivery and Execution System SECURITIES AND EXCHANGE COMMISSION (Release No. 34-39718; File No. SR-NASD-98-17) March 4, 1998 |

which is reference AW. Because AW is more inclusive than AV and AV merely is an amendment to AW, Applicant will refer to AW, but also treat AV.

Claim 1, as amended, includes the features of "a storage system storing profiles of quoting market participants; and a server computer system ... configured to ... determine the market participant that the order is directed to, access a stored profile from the system for the determined, quoting market participant, to determine the type of directed order that the quoting market participant accepts, and send the order, as a liability, for execution against their quote or non-liability order, for negotiation in accordance with how the determined, quoting market participant chooses to receive directed orders based on the profile."

Neither AW nor AV discuss or any combination thereof suggests these features.

NASD AW describes an earlier version of so called directed orders. However NASD neither describes nor suggests the feature "the server system configured to access a stored profile from the system for the determined, quoting market participant, to determine the type of directed order that the quoting market participant accepts, and send the order, as a liability, for execution

against their quote or non-liability order, for negotiation in accordance with how the determined,

quoting market participant chooses to receive directed orders based on the profile."

Rather, NASD describes:

> All directed orders that are delivered for a response (as opposed to being
> automatically executed), will be designated by the System as "liability" or "non-
> liability" orders when delivered, A liability order is an order that a broker-dealer is
> required to respond to consistent with the obligations imposed by the SEC and
> NASD Firm Quote Rules. [38] For example, if Market Maker A is quoting 20 bid for
> 1,000 shares, a directed order that is sent to MMA to sell 1,000 shares at 20 is a
> liability order. In other words, MMA must respond consistent with the Firm Quote
> Rule. If MMA is quoting 20 bid for 1,000 shares, and the order entry firm directs an
> order to sell 20,000 shares at 20 1/16th to MMA, such an order would be a non-
> liability order for which MMA has no responsibility to respond. MMA could,
> however, choose to accept the order at the higher price. MMA also could do nothing
> with such order and at the end of 32 seconds the order would time out and be
> returned to the order entry firm. If the directed order sent to MMA were priced to
> sell at 20 for 20,000 shares, MMA would have Firm Quote Rule liability for 1,000
> shares. (footnote omitted)

Thus, under NASD, MMA must accept all directed orders as liability orders unless the

directed order has a price that is in the example used greater than MMA bid quote. There is no

participant selective protocol on how the orders are handled by the system. In contrast, claim 1

requires that the server system access a stored profile from the system for the determined,

quoting market participant, determine the type of directed order that the quoting market

participant accepts, and send the order, as a liability, for execution against their quote or non-

liability order, for negotiation in accordance with how the determined, quoting market participant

chooses to receive directed orders based on the profile. This logic, executed by the server

system, is neither described nor suggested by NASD.

AV does not specifically deal with directed orders. AV mentions: "Select.Net for the

entry of any preferenced orders directed to market makers in NNM securities," but clearly

neither describes nor suggests the foregoing features of claim 1.

The examiner apparently recognized that AW did not disclose the previously recited

features of "delivering the order, as a liability or non-liability order in accordance with how the

selected quoting market participant chooses to receive directed orders," because he cites to "the

order, as liability or non-liability order in accordance with how the quoting market participant chooses to receive directed

orders (See Reference AV Pages 12-43). As disclosed on page 33 of the reference the quoting market participant can use

the exception to Firm Quote rule and supplemental size feature to choose how the participant wants to receive the order."

unrelated teachings that have nothing at all to do with the claimed feature.

Page 33 discusses:

> (5) Liability for Directed Orders: Nasdaq Market Makers and ECNs that
> receive directed orders at or better than their quoted price (e.g., an order to sell at a
> price equal to or below their bid) are obligated to execute such orders up to their
> size displayed at the time that the order is delivered, in accordance .with the same
> parameters for processing executions for nondirected orders in Rule 4950(e)(3),
> unless an exception to the SEC and NASD Firm Quote Rules applies. Directed
> orders that are sent at a price inferior to the price displayed (e.g., an order to sell at
> a price higher than their quoted bid) at the time of delivery or for a size greater
> than that currently displayed size do not obligate the Executing Participant to
> execute at that price or for any amount greater than the displayed size, except as
> provided for when the System Market Maker makes use of the supplemental size
> feature. All directed orders that impose liability on the Executing Participant will be
> designated as such on the order message delivered to such participant.

Neither in effect nor in actuality does this teaching suggest "delivering the order, as a liability or non-liability order in accordance with how the selected quoting market participant chooses to receive directed orders," as was previously claimed or "the server system configured to access a stored profile from the system for the determined, quoting market participant, to determine the type of directed order that the quoting market participant accepts, and send the order, as a liability, for execution against their quote or non-liability order, for negotiation in accordance with how the determined, quoting market participant chooses to receive directed orders based on the profile," as now claimed.

Claims 2-11 are allowable at least for the reasons discussed in claim 1. In addition these claims add distinct features.

For example, claim 3, requires that "if a market participant chooses to accept liability orders, the system appends an indicator to the quoting market participant's MMID, showing that the market participant is available to receive directed liability orders." No such teaching is found in the references.

Claims 13 and 18 are allowable for analogous reasons given in claim 1 and dependent claims 14-17 and 19-21 are allowable at least for the reasons that they depend from the respective base claims.

The examiner's response to Applicant's arguments are addressed below:

Clearly claims 1-11, as amended, are directed to a single statutory class a machine, i.e., "a system." Claim 1 recites the necessary cooperation to make the claim structurally related. Applicant' has further amended these claims to more clearly include the elements relating a directed order. Finally, Applicant has not asked the examiner to read limitations from the specification into the claims.

No fee is due. Please apply any other charges or credits to deposit account 06-1050.

Respectfully submitted,

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